

CITY OF NORTHWOOD, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2021

- Prepared By -

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CITY OF NORTHWOOD, IOWA

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CITY OF NORTHWOOD, IOWA

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Doug Moehle	Mayor	January 2022
Dan Reeder	Mayor Pro tem	January 2024
Teresa George-Zenz	Council Member	January 2022
Russ Meyer	Council Member	January 2022
Gary Nerlien	Council Member	January 2024
David Tenold	Council Member	January 2024
Amber Julseth	Clerk/Treasurer	June 30, 2021
John Greve	Attorney	Indefinite



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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Northwood, Iowa, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Northwood as of June 30, 2021, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. My opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Northwood's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2020 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 3, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Other Information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 4 through 8 and 32 through 39, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated September 3, 2021 on my consideration of the City of Northwood's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Northwood's internal control over financial reporting and compliance.



Charles City, Iowa
September 3, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Northwood provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2021. I encourage readers to consider this information in conjunction with the City's financial statements, which follow.

FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities decreased 1.8%, or approximately \$38,000, from fiscal year 2020 to fiscal year 2021. Operating grants, contributions and restricted interest receipts increased approximately \$42,000, while other general receipts increased approximately \$118,000 and property tax receipts decreased \$198,000.

Disbursements of the City's governmental activities decreased 2.9%, or approximately \$59,000, in fiscal year 2021 from fiscal year 2020. Public works and culture and recreation disbursements increased approximately \$55,000 and \$48,000, respectively, while debt service decreased approximately \$222,000.

The City's total cash basis net position increased 8.2%, or approximately \$193,000, from June 30, 2020 to June 30, 2021. Of this amount, the cash basis net position of the governmental activities increased approximately \$80,000 and the cash basis net position of the business type activities decreased by approximately \$113,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains several Enterprise Funds, including the Water, Sewer and Sewer Sinking Funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$1,527,692 to \$1,607,802. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities

(Expressed in Thousands)

	Year ended June 30,	
	2021	2020
Receipts:		
Program receipts:		
Charges for service	\$ 75	\$ 76
Operating grants, contributions and restricted interest	298	256
General receipts:		
Property tax	969	1,167
Local option sales tax	240	232
Unrestricted interest on investments	10	17
Other general receipts	486	368
Total receipts	<u>\$2,078</u>	<u>\$2,116</u>
Disbursements:		
Public safety	\$ 364	\$ 362
Public works	568	513
Health and social services	12	13
Culture and recreation	367	319
Community and economic development	206	179
General government	237	205
Debt service	226	448
Total disbursements	<u>\$1,980</u>	<u>\$2,039</u>
Change in cash basis net position before transfers	\$ 98	\$ 77
Transfers, net	<u>(18)</u>	<u>(10)</u>
Change in cash basis net position	\$ 80	\$ 67
Cash basis net position beginning of year	<u>1,528</u>	<u>1,461</u>
Cash basis net position end of year	<u>\$1,608</u>	<u>\$1,528</u>

The City's total receipts for governmental activities decreased by 1.8%, or approximately \$38,000. The total cost of all programs and services decreased approximately \$59,000, or 2.9%, with no new programs added this year. The decrease in receipts was primarily the result of a decrease in property tax receipts.

The cost of all governmental activities this year was approximately \$1,980,000 compared to approximately \$2,039,000 last year. However, as shown in the Statement of Activities and Net Position on pages 9-12, the amount taxpayers ultimately financed for these activities was only \$1,606,974 because some of the cost was paid by those directly benefited from the programs (\$75,120) by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$297,678). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2021 from approximately \$332,000 to approximately \$373,000.

Changes in Cash Basis Net Position of Business Type Activities
(Expressed in Thousands)

	<u>Year ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 344	\$ 275
Sewer	617	528
Other	190	181
Capital grants, contributions and restricted interest	-	92
General receipts:		
Unrestricted interest on investments	3	7
Bond proceeds	5	495
Total receipts	<u>\$1,159</u>	<u>\$1,578</u>
Disbursements:		
Water	\$ 275	\$ 262
Sewer	604	582
Sewer plant project	-	584
Other	186	191
Total disbursements	<u>\$1,065</u>	<u>\$1,619</u>
Change in cash basis net position before transfers	\$ 94	\$ (41)
Transfers, net	<u>18</u>	<u>10</u>
Change in cash basis net position	\$ 112	\$ (31)
Cash basis net position beginning of year	<u>818</u>	<u>849</u>
Cash basis net position end of year	<u>\$ 930</u>	<u>\$ 818</u>

Total business type activities receipts for the fiscal year were approximately \$1,159,000 compared to approximately \$1,578,000 last year. The cash balance increased by approximately \$112,000 from the prior year. Total disbursements for the fiscal year decreased by 34.2% to a total of approximately \$1,065,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Northwood completed the year, its governmental funds reported a combined fund balance of \$1,607,802, an increase of more than \$80,000 from last year's total of \$1,527,692. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance decreased \$26,119 from the prior year to \$613,055. This decrease was due to an increase in public works and culture and recreation disbursements.

The Special Revenue, Road Use Tax Fund cash balance increased \$45,012 to \$237,020. This increase is due to an increase in intergovernmental receipts.

The Special Revenue, Housing Assistance Program Fund cash balance increased by \$122,760 to \$372,098. This increase is due to a transfer in of cash.

The Special Revenue, Urban Renewal Tax Increment Fund cash balance decreased by \$19,593 to \$12,017. This decrease is due to spending down the TIF fund balance.

The Debt Service, General Obligation Fund cash balance decreased by \$29 to \$27,540. This decrease is due to a decrease in property tax receipts.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Enterprise, Water Fund cash balance increased \$69,657 to \$240,719. This increase was due to increased operating receipts.

The Enterprise, Sewer Fund cash balance increased by \$19,376 to \$255,770 due to increased operating receipts.

The Enterprise, Sewer Sinking Fund cash balance remained \$302,000.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City did not amend its budget. The City exceeded the amounts budgeted in the culture and recreation, general government, and debt service functions.

DEBT ADMINISTRATION

At June 30, 2021, the City had approximately \$8,380,000 in bonds and other long-term debt outstanding, compared to approximately \$8,700,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)

	June 30,	
	2021	2020
General obligation bonds	\$ 2,867	\$ 3,032
Revenue bonds	5,513	5,668
Total	<u>\$ 8,380</u>	<u>\$ 8,700</u>

Debt decreased as a result of annual payments on the bonds.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$2,867,000 is significantly below its constitutional debt limit of \$5,730,443.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Northwood's elected and appointed officials and citizens considered many factors when setting the fiscal year 2022 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Another concern evolves around increased energy costs for the ensuing year and beyond. The increased costs have added as much as thirty percent to segments of the budget. Holding the budget in line becomes challenging while attempting to maintain and improve city services.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Amber Julseth, City Clerk, 627 Central, Northwood, Iowa 50459-1584.

Basic Financial Statements

CITY OF NORTHWOOD, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

		Program Receipts			
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
FUNCTIONS/PROGRAMS :		Disbursements			
Governmental activities:					
Public safety	\$	363,543	\$ -	\$ -	\$ -
Public works		568,320	-	297,678	-
Health and social services		11,652	25,696	-	-
Culture and recreation		367,127	49,424	-	-
Community and economic development		206,173	-	-	-
General government		237,317	-	-	-
Debt Service		225,640	-	-	-
Total governmental activities	\$	1,979,772	\$ 75,120	\$ 297,678	\$ -
Business type activities:					
Water	\$	275,262	\$ 344,225	\$ -	\$ -
Sewer		604,277	617,972	-	-
Other		186,282	190,479	-	-
Total business type activities	\$	1,065,821	\$1,152,676	\$ -	\$ -
Total	\$	3,045,593	\$1,227,796	\$ 297,678	\$ -

(Continued)

**Net (Disbursements) Receipts and
Changes in Cash Basis Net Position**

Governmental Activities	Business Type Activities	Total
\$ (363,543)	\$ -	\$ (363,543)
(270,642)	-	(270,642)
14,044	-	14,044
(317,703)	-	(317,703)
(206,173)	-	(206,173)
(237,317)	-	(237,317)
(225,640)	-	(225,640)
<u>\$ (1,606,974)</u>	<u>\$ -</u>	<u>\$ (1,606,974)</u>
\$ -	\$ 68,963	\$ 68,963
-	13,695	13,695
-	4,197	4,197
<u>\$ -</u>	<u>\$ 86,855</u>	<u>\$ 86,855</u>
<u>\$ (1,606,974)</u>	<u>\$ 86,855</u>	<u>\$ (1,520,119)</u>

CITY OF NORTHWOOD, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

General Receipts and Transfers:

- Property and other city tax levied for:
 - General purposes
 - Debt service
- Tax increment financing
- Local option sales tax
- Unrestricted interest on investments
- Bond proceeds
- Miscellaneous
- Transfers

Total general receipts and transfers

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

Cash Basis Net Position

- Restricted:
 - Nonexpendable:
 - Cemetery perpetual care
 - Expendable:
 - Streets
 - Urban renewal purposes
 - Debt service
 - Other purposes
- Unrestricted

Total cash basis net position

See Notes to Financial Statements.

**Net (Disbursements) Receipts and
Changes in Cash Basis Net Position**

Governmental Activities	Business Type Activities	Total
\$ 712,423	\$ -	\$ 712,423
611	-	611
255,407	-	255,407
239,914	-	239,914
10,442	2,892	13,334
-	5,000	5,000
486,287	-	486,287
(18,000)	18,000	-
<u>\$ 1,687,084</u>	<u>\$ 25,892</u>	<u>\$1,712,976</u>
\$ 80,110	\$ 112,747	\$ 192,857
<u>1,527,692</u>	<u>817,624</u>	<u>2,345,316</u>
<u>\$ 1,607,802</u>	<u>\$ 930,371</u>	<u>\$2,538,173</u>
\$ 119,993	\$ -	\$ 119,993
237,020	-	237,020
12,017	-	12,017
27,540	-	27,540
445,916	-	445,916
765,316	930,371	1,695,687
<u>\$ 1,607,802</u>	<u>\$ 930,371</u>	<u>\$2,538,173</u>

CITY OF NORTHWOOD, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

	<u>General</u>	<u>Special Road Use Tax</u>
RECEIPTS:		
Property tax	\$ 580,586	\$ -
Tax increment financing	-	-
Local option sales tax	-	-
Licenses and permits	22,712	-
Use of money and property	32,047	-
Intergovernmental	66,735	297,678
Charges for service	76,945	-
Miscellaneous	316,703	-
Total receipts	<u>\$ 1,095,728</u>	<u>\$ 297,678</u>
DISBURSEMENTS:		
Operating:		
Public safety	\$ 363,543	\$ -
Public works	251,739	252,666
Health and social services	10,979	-
Culture and recreation	339,443	-
Community and economic development	40,799	-
General government	197,344	-
Debt service	-	-
Total disbursements	<u>\$ 1,203,847</u>	<u>\$ 252,666</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (108,119)</u>	<u>\$ 45,012</u>
Other financing sources (uses):		
Transfers in	\$ 250,000	\$ -
Transfers out	<u>(168,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>\$ 82,000</u>	<u>\$ -</u>
Change in cash balances	\$ (26,119)	\$ 45,012
Cash balances beginning of year	<u>639,174</u>	<u>192,008</u>
Cash balances end of year	<u>\$ 613,055</u>	<u>\$ 237,020</u>
Cash Basis Fund Balances:		
Nonspendable - Cemetery perpetual care	\$ -	\$ -
Restricted for:		
Urban renewal purposes	-	-
Debt service	-	-
Streets	-	237,020
Other purposes	-	-
Assigned for		
Cemetery	13,532	-
Library memorial trust	129,398	-
Other	-	-
Unassigned	<u>470,125</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 613,055</u>	<u>\$ 237,020</u>

See Notes to Financial Statements.

Revenue		Debt Service General Obligation	Nonmajor	Total
Housing Assistance Program	Urban Renewal Tax Increment			
\$ -	\$ -	\$ 611	\$ 131,837	\$ 713,034
-	255,407	-	-	255,407
-	-	-	239,914	239,914
-	-	-	-	22,712
-	-	-	-	32,047
-	-	-	-	364,413
-	-	-	-	76,945
7,386	-	-	49,321	373,410
<u>\$ 7,386</u>	<u>\$ 255,407</u>	<u>\$ 611</u>	<u>\$ 421,072</u>	<u>\$2,077,882</u>
\$ -	\$ -	\$ -	\$ -	\$ 363,543
-	-	-	63,915	568,320
-	-	-	673	11,652
-	-	-	27,684	367,127
34,626	-	-	130,748	206,173
-	-	-	39,973	237,317
-	-	225,640	-	225,640
<u>\$ 34,626</u>	<u>\$ -</u>	<u>\$ 225,640</u>	<u>\$ 262,993</u>	<u>\$1,979,772</u>
<u>\$ (27,240)</u>	<u>\$ 255,407</u>	<u>\$ (225,029)</u>	<u>\$ 158,079</u>	<u>\$ 98,110</u>
\$ 150,000	\$ -	\$ 225,000	\$ 50,000	\$ 675,000
<u>-</u>	<u>(275,000)</u>	<u>-</u>	<u>(250,000)</u>	<u>(693,000)</u>
<u>\$ 150,000</u>	<u>\$ (275,000)</u>	<u>\$ 225,000</u>	<u>\$ (200,000)</u>	<u>\$ (18,000)</u>
\$ 122,760	\$ (19,593)	\$ (29)	\$ (41,921)	\$ 80,110
<u>249,338</u>	<u>31,610</u>	<u>27,569</u>	<u>387,993</u>	<u>1,527,692</u>
<u>\$ 372,098</u>	<u>\$ 12,017</u>	<u>\$ 27,540</u>	<u>\$ 346,072</u>	<u>\$1,607,802</u>
\$ -	\$ -	\$ -	\$ 119,993	\$ 119,993
-	12,017	-	-	12,017
-	-	27,540	-	27,540
-	-	-	-	237,020
372,098	-	-	73,818	445,916
-	-	-	-	13,532
-	-	-	-	129,398
-	-	-	152,261	152,261
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>470,125</u>
<u>\$ 372,098</u>	<u>\$ 12,017</u>	<u>\$ 27,540</u>	<u>\$ 346,072</u>	<u>\$1,607,802</u>

CITY OF NORTHWOOD, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

	<u>Enterprise</u>	
	<u>Water</u>	<u>Sewer</u>
Operating Receipts:		
Charges for service	\$ 325,243	\$ 617,972
Miscellaneous	18,982	-
Total operating receipts	<u>\$ 344,225</u>	<u>\$ 617,972</u>
Operating disbursements:		
Business type activities	<u>275,262</u>	<u>314,883</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>\$ 68,963</u>	<u>\$ 303,089</u>
Non-operating receipts (disbursements):		
Interest on investments	\$ 1,548	\$ 681
Debt service	-	(289,394)
Net non-operating receipts (disbursements)	<u>\$ 1,548</u>	<u>\$ (288,713)</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ 70,511</u>	<u>\$ 14,376</u>
Other financing sources:		
Bond proceeds	\$ -	\$ 5,000
Transfers in	-	3,140
Transfers out	(854)	-
Total other financing sources (uses)	<u>\$ (854)</u>	<u>\$ 8,140</u>
Change in cash balances	\$ 69,657	\$ 19,376
Cash balances beginning of year	<u>171,062</u>	<u>233,254</u>
Cash balances end of year	<u>\$ 240,719</u>	<u>\$ 255,770</u>
Cash Basis Fund Balances		
Restricted for debt service	\$ -	\$ -
Unrestricted	<u>240,719</u>	<u>255,770</u>
Total cash basis fund balances	<u>\$ 240,719</u>	<u>\$ 255,770</u>

See Notes to Financial Statements.

<u>Sewer Sinking</u>	<u>Nonmajor</u>	<u>Total</u>
\$ -	\$ 180,859	\$ 1,124,074
-	9,620	28,602
\$ -	\$ 190,479	\$ 1,152,676
-	186,282	776,427
\$ -	\$ 4,197	\$ 376,249
\$ -	\$ 663	\$ 2,892
-	-	(289,394)
\$ -	\$ 663	\$ (286,502)
\$ -	\$ 4,860	\$ 89,747
\$ -	\$ -	\$ 5,000
-	18,854	21,994
-	(3,140)	(3,994)
\$ -	\$ 15,714	\$ 23,000
\$ -	\$ 23,714	\$ 112,747
302,000	111,308	817,624
<u>\$ 302,000</u>	<u>\$ 131,882</u>	<u>\$ 930,371</u>
\$ 302,000	\$ -	\$ 302,000
-	131,882	628,371
<u>\$ 302,000</u>	<u>\$ 131,882</u>	<u>\$ 930,371</u>

CITY OF NORTHWOOD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(1) Summary of Significant Accounting Policies

The City of Northwood is a political subdivision of the State of Iowa located in Worth County. It was first incorporated in 1859 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Northwood has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the North Iowa Area Council of Governments and the Worth County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent, Cemetery Perpetual Care Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by

CITY OF NORTHWOOD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(1) Summary of Significant Accounting Policies - continued

law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as nonmajor governmental and proprietary funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Housing Assistance Program Fund is used to account for money used for housing assistance in the City.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service, General Obligation Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

CITY OF NORTHWOOD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(1) Summary of Significant Accounting Policies - continued

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Sewer Sinking Fund accounts for funds reserved for future sewer debt service payments.

C. Measurement Focus and Basis of Accounting

The City of Northwood maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications-committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in these funds became due and collectible in September and March of the current fiscal year with a 1.5% per month penalty for delinquent payments; is based on January 1, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects tax asking contained in the budget certified to the City Council in March 2020.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

CITY OF NORTHWOOD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(1) **Summary of Significant Accounting Policies** - continued

Assigned - Amounts the City Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

E. **Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2021, disbursements exceeded the amounts budgeted in the culture and recreation, general government and debt service functions.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2021 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) **Bonds Payable**

A summary of changes in bonds payable for the year ended June 30, 2021 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Governmental activities:					
General Obligation Bonds	<u>\$3,032,000</u>	<u>\$ -</u>	<u>\$ 165,000</u>	<u>\$2,867,000</u>	<u>\$ 169,000</u>
Business type activities:					
Sewer Revenue Bonds	<u>\$5,667,519</u>	<u>\$ 5,000</u>	<u>\$ 159,519</u>	<u>\$5,513,000</u>	<u>\$ 163,000</u>

CITY OF NORTHWOOD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(3) **Bonds Payable** - continued

General Obligation Bonds

A summary of the City's June 30, 2021 general obligation bonds payable is as follows:

Year Ending June 30,	Sewer		
	Interest Rates	Issued Aug 1, 2016 Principal	Interest
2022	1.75%	\$ 169,000	\$ 50,172
2023	1.75	172,000	47,214
2024	1.75	175,000	44,204
2025	1.75	178,000	41,142
2026	1.75	181,000	38,028
2027-2031	1.75	953,000	141,524
2032-2036	1.75	1,039,000	55,160
Total		<u>\$2,867,000</u>	<u>\$ 417,444</u>

On August 1, 2016, the City issued \$3,500,000 of general obligation bonds with an interest rate of 1.75% per annum. The bonds were issued for sewer improvements. During the year ended June 30, 2021, the City paid \$165,000 of principal and \$53,060 of interest on the bonds.

Revenue Bonds

A summary of the City's June 30, 2021 revenue bonds payable is as follows:

Year Ending June 30,	Sewer		
	Interest Rates	Issued March 17, 2017 Principal	Interest
2022	2.04%	\$ 163,000	\$ 112,464
2023	2.04	166,000	109,140
2024	2.04	170,000	105,754
2025	2.04	173,000	102,286
2026	2.04	177,000	98,756
2027-2031	2.04	938,000	438,212
2032-2036	2.04	1,038,000	338,578
2037-2041	2.04	1,148,000	228,300
2042-2046	2.04	1,270,000	106,284
2047	2.04	270,000	5,508
Total		<u>\$5,513,000</u>	<u>\$1,645,282</u>

The City has pledged future sewer customer receipts, net of specified operating disbursement, to repay \$6,387,949 in sewer revenue bonds issued in March 2017. Proceeds from the bonds provided financing for constructing improvements to the municipal sewer utility. The bonds are payable solely from sewer customer net receipts and are payable through 2047. Annual principal and interest payments on the bonds are expected to require less than 75 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$7,158,282. For the current year, principal and interest paid and total customer net receipts were \$275,216 and \$303,089, respectively.

CITY OF NORTHWOOD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(3) **Bonds Payable** - continued

The resolutions providing for the issuance of the revenue bonds include the following provisions:

- (a) At the option of the City, sewer revenue bonds may be called for redemption and paid at any date, from any funds regardless of source, in whole or from time to time in part, in inverse order of maturity upon not less than thirty days' notice of redemption to the Lender. The terms of redemption shall be par plus accrued interest to date of call.
- (b) The bonds will only be redeemed from the future earnings of the sewer activities and bond holders hold a lien on the future earnings of the funds.

(4) **Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

CITY OF NORTHWOOD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(4) Pension Plan - continued

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2021, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%.

The City's contributions to IPERS for the year ended June 30, 2021 totaled \$46,237.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2021, the City reported a liability of \$427,561 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2020, the City's proportion was 0.006495%, which was a decrease of 0.00056% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$65,598, \$81,609 and \$45,289 respectively.

There were no non-employer contributing entities to IPERS.

CITY OF NORTHWOOD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(4) Pension Plan - continued

Actuarial Assumptions - The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of Inflation (effective June 30, 2017)	2.60% per annum
Rates of salary increase (effective June 30, 2017)	3.25% to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2020 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	4.43%
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	3.0	3.11
Total	<u>100.0%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF NORTHWOOD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(4) Pension Plan - continued

Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's Proportionate share of the net pension liability	\$ 712,922	\$ 427,561	\$ 188,290

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on pay-as-you-go basis. For the year ended June 30, 2021, the City contributed \$126,212 and plan members eligible for benefits contributed \$2,788 to the plan. At June 30, 2021, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits - Individuals who are employed by the City of Northwood and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of service. At June 30, 2021 there were 8 active employees and no retired employees covered by the benefit terms.

(6) Law Enforcement Contract

The City of Northwood entered into an agreement with the Worth County Sheriff's Department for the purpose of providing the City with law enforcement services. The amount paid on the contract by the City for the year ended June 30, 2021 amounted to \$356,033.

CITY OF NORTHWOOD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(7) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, comp time and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable, comp time payable and sick leave payable to employees at June 30, 2021, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 33,658
Comp time	7,487
Sick leave	<u>33,128</u>
Total	<u>\$ 74,273</u>

This liability has been computed based on rate of pay in effect at June 30, 2021.

(8) Industrial Development Revenue Bonds

The City has issued a total of \$2,800,000 of multifamily elderly revenue bonds under the provision of Chapter 419 of the Code of Iowa, of which \$1,200,000 is outstanding at June 30, 2021. The bonds and related principal are payable solely by Lutheran Retirement Home, Inc., and the bond principal and interest do not constitute liabilities of the City.

(9) Economic Development

On August 1, 2003, the City loaned \$20,000 to Grass Lake Furniture Co. The loan proceeds were to be used to operate a retail business in Northwood. The loan is a non-interest bearing loan. Grass Lake Furniture Co. is obligated to repay the City in monthly installments of \$238 beginning August 1, 2004. The loan balance at June 30, 2021 was \$7,381.

On September 13, 2007, the City loaned \$16,000 to Grass Lake Furniture Co. The loan proceeds were to be used to operate a retail business in Northwood. The loan is a non-interest bearing loan. Grass Lake Furniture Co. is obligated to repay the City in monthly installment of \$190 beginning April 30, 2008. The loan balance at June 30, 2021 was \$14,095.

On June 9, 2015, the City loaned \$50,000 to Worth Brewing Company. The loan proceeds were to be used for a business in Northwood. The loan is non-interest bearing. Worth Brewing Company is obligated to repay the City \$50,000 in quarterly installments of \$2,500 beginning February 1, 2017. The loan balance at June 30, 2021 was \$14,500.

On June 9, 2015, the City loaned \$25,000 to Worth Brewing Company, LLC. The loan proceeds were to be used for a business in Northwood. The loan is forgivable after five years. The loan balance at June 30, 2021 was zero.

On August 11, 2015, the City loaned \$10,000 to Worth Mutual/Olson Insurance. The loan proceeds were to be used for a business in Northwood. The loan is a non-interest bearing loan. Worth Mutual/Olson Insurance is obligated to repay the City \$5,000 in annual installments of \$1,000 beginning August 11, 2017. The remaining \$5,000 is forgivable after five years. The loan balance at June 30, 2021 was zero.

CITY OF NORTHWOOD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(9) Economic Development - continued

On September 22, 2016, the City loaned \$25,000 to ADA Enterprises. The loan proceeds were to be used for a business in Northwood. The loan is forgivable after five years. The loan balance at June 30, 2021 was \$25,000.

On June 28, 2017, the City loaned \$15,000 to Thofson Plumbing & Heating. The loan proceeds were to be used for a business in Northwood. The loan is a non-interest bearing loan. Thofson Plumbing & Heating is obligated to repay the City \$5,000 in annual installments of \$1,000 beginning June 28, 2018. The remaining \$10,000 is forgivable after five years. The loan balance at June 30, 2021 was \$11,000.

On October 10, 2017, the City loaned \$15,000 to Bean & Bistro. The loan proceeds were to be used for a business in Northwood. The loan is a non-interest bearing loan. Bean & Bistro is obligated to repay the City \$7,000 in monthly installments of \$160 beginning October 10, 2018. The remaining \$8,000 is forgivable after five years. The loan balance at June 30, 2021 was \$12,320.

On December 21, 2017, the City loaned \$15,000 to Rock a Billies. The loan proceeds were to be used for a business in Northwood. The loan is a non-interest bearing loan. Rock a Billies is obligated to repay the City \$5,000 in annual installments of \$1,000 beginning December 21, 2018. The remaining \$10,000 is forgivable after five years. The loan balance at June 30, 2021 was \$12,000.

On February 1, 2018, the City loaned \$50,000 to Shellene Norris. The loan proceeds were to be used for a business in Northwood. The loan bears interest at 2.50%. She is obligated to repay the City \$50,000 in monthly installments of \$887 beginning June 1, 2018. The loan balance at June 30, 2021 was \$29,939.

On March 7, 2018, the City loaned \$25,000 to Shellene Norris. The loan proceeds were to be used for a business in Northwood. The loan is a non-interest bearing loan. Shellene Norris is obligated to repay the City \$3,000 in annual installments of \$1,000 beginning March 7, 2019. The remaining \$22,000 is forgivable after five years. The loan balance at June 30, 2021 was \$22,000.

On June 5, 2018, the City loaned \$25,000 to Brittany Low. The loan proceeds were to be used for a business in Northwood. The loan is a non-interest bearing loan. The entire loan of \$25,000 is forgivable after five years. The loan balance at June 30, 2021 was \$25,000.

On October 29, 2018, The City loaned \$13,000 to Knudtson Automotive. The loan proceeds were to be used for a business in Northwood. The loan is a non-interest bearing loan. Knudtson Automotive is obligated to repay the City \$5,000 in annual installments of \$1,000 beginning October 29, 2019. The remaining \$8,000 is forgivable after five years. The loan balance at June 30, 2021 was \$11,000.

On July 1, 2019, the City loaned \$19,600 to Amanda Zipse. The loan proceeds were to be used for a business in Northwood. The loan bears interest at 2.50%. Amanda Zipse is obligated to repay the City \$19,600 in monthly installments of \$348 beginning November 1, 2019. The loan balance at June 30, 2021 was \$13,283.

On August 9, 2019, The City loaned \$1,805 to Kelly Hardware. The loan proceeds were to be used for a business in Northwood. The loan is forgivable after three years. The loan balance at June 30, 2021 was \$1,805.

CITY OF NORTHWOOD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(9) Economic Development - continued

On November 14, 2019, the City loaned \$50,000 to Ace Fresh, LLC. The loan proceeds were to be used for a grocery business in Northwood. The loan is a non-interest bearing loan. Ace Fresh, LLC is obligated to repay the City \$50,000 in monthly installments of \$833 beginning January 1, 2020. The loan balance at June 30, 2021 was \$35,000.

On April 6, 2020, The City loaned \$25,000 to Ace Fresh, LLC. The loan proceeds were to be used for a grocery business in Northwood. The loan is forgivable after five years. The loan balance at June 30, 2021 was \$25,000.

On May 28, 2020, The City loaned \$14,283 to Robert Nagle. The loan proceeds were to be used for a business in Northwood. The loan is a non-interest bearing loan. Robert Nagle is obligated to repay the City \$4,283 in annual installments of \$857 beginning May 28, 2021. The remaining \$10,000 is forgivable after five years. The loan balance at June 30, 2021 was \$13,283.

On July 17, 2020, the City loaned \$30,000 to Strike Zone. The loan proceeds were to be used for a business in Northwood. The note bears interest at 2.50%. Strike Zone is obligated to repay the City \$30,000 in monthly installments of \$526 beginning September 1, 2020. The loan balance at June 30, 2021 was \$25,976.

On October 6, 2020, the City loaned \$25,000 to Strike Zone. The loan proceeds were to be used for a business in Northwood. The loan is forgivable after five years. The loan balance at June 30, 2021 was \$25,000.

On June 15, 2021, the City loaned \$25,000 to Modern Gardens LLC. The loan proceeds were to be used for a business in Northwood. The loan is a non-interest bearing loan. Modern Gardens LLC is obligated to repay the City \$5,000 in annual installments of \$1,000 beginning June 15, 2022. The remaining \$20,000 is forgivable after five years. The loan balance at June 30, 2021 was \$25,000.

The City has funds set aside for various housing assistance programs within the City. Applications are reviewed by the council. The amount expended by the City for the 2021 fiscal year was \$34,626.

The City allocated funds for business development within the City. Applications are considered by a separate business development committee. The amount expended by the City for the 2021 fiscal year was \$50,000.

(10) Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 785 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the

CITY OF NORTHWOOD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(10) Risk Management - continued

fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2021 were \$68,699.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2021, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with Workers Compensation and Aviation in the amount of \$12,162 and \$1,722, respectively. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF NORTHWOOD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(11) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2021 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax-	
	Property Tax Relief	\$ 125,000
	Local Option Sales Tax -	
	Infrastructure	125,000
		<u>\$ 250,000</u>
Special Revenue:		
Housing Assistance		
Program	General	\$ 150,000
Revitalization	Special Revenue:	
	Urban Renewal Tax Increment	50,000
		<u>\$ 200,000</u>
Debt Service:		
General Obligation	Special Revenue:	
Bonds	Urban Renewal Tax Increment	\$ 225,000
Enterprise:		
Taxi	General	\$ 18,000
Meter Deposit	Enterprise:	
	Water	855
		<u>\$ 18,855</u>
Total		<u>\$ 693,855</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(12) **Tax Abatements**

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

CITY OF NORTHWOOD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(12) **Tax Abatements**- continued

For the year ended June 30, 2021, the City did not abate any property tax under the urban renewal and economic development projects.

Tax Abatement of Other Entities

Property tax revenues of the City were not reduced for the year ended June 30, 2021 as a result of any agreements entered into by other entities.

(13) **COVID-19**

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including the City of Northwood, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the City of Northwood. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the City of Northwood.

(14) **Prospective Accounting Change**

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2022. The revised requirements of this statement require reporting of certain potentially significant lease liabilities that are not currently reported.

Other Information

CITY OF NORTHWOOD, IOWA
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL
GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
OTHER INFORMATION
YEAR ENDED JUNE 30, 2021

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Not Required To Be Budgeted
RECEIPTS:			
Property tax	\$ 713,034	\$ -	\$ -
Tax increment financing	255,407	-	-
Local option sales tax	239,914	-	-
Licenses and permits	22,712	-	-
Use of money and property	32,047	2,892	-
Intergovernmental	364,413	-	-
Charges for service	76,945	1,152,676	-
Miscellaneous	373,410	-	-
Total receipts	<u>\$ 2,077,882</u>	<u>\$ 1,155,568</u>	<u>\$ -</u>
DISBURSEMENTS:			
Public safety	\$ 363,543	\$ -	\$ -
Public works	568,320	-	-
Health and social services	11,652	-	-
Culture and recreation	367,127	-	-
Community and economic development	206,173	-	-
General government	237,317	-	-
Debt service	225,640	-	-
Business type activities	-	1,065,821	-
Total disbursements	<u>\$ 1,979,772</u>	<u>\$ 1,065,821</u>	<u>\$ -</u>
Excess (deficiency) of receipts over (under) disbursements	\$ 98,110	\$ 89,747	\$ -
Other financing sources, net	<u>(18,000)</u>	<u>23,000</u>	<u>-</u>
Change in fund balances	\$ 80,110	\$ 112,747	\$ -
Balances beginning of year	<u>1,527,692</u>	<u>817,624</u>	<u>-</u>
Balances end of year	<u>\$ 1,607,802</u>	<u>\$ 930,371</u>	<u>\$ -</u>

See Accompanying Independent Auditor's Report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
\$ 713,034	\$ 670,945	\$ 670,945	\$ 42,089
255,407	275,000	275,000	(19,593)
239,914	233,401	233,401	6,513
22,712	24,500	24,500	(1,788)
34,939	21,850	21,850	13,089
364,413	278,339	278,339	86,074
1,229,621	1,154,695	1,154,695	74,926
373,410	669,140	669,140	(295,730)
<u>\$ 3,233,450</u>	<u>\$ 3,327,870</u>	<u>\$ 3,327,870</u>	<u>\$ (94,420)</u>
\$ 363,543	\$ 364,283	\$ 364,283	\$ 740
568,320	575,799	575,799	7,479
11,652	14,984	14,984	3,332
367,127	306,600	306,600	(60,527)
206,173	556,000	556,000	349,827
237,317	200,632	200,632	(36,685)
225,640	223,640	223,640	(2,000)
1,065,821	1,088,094	1,088,094	22,273
<u>\$ 3,045,593</u>	<u>\$ 3,330,032</u>	<u>\$ 3,330,032</u>	<u>\$ 284,439</u>
\$ 187,857	\$ (2,162)	\$ (2,162)	\$ 190,019
5,000	-	-	5,000
<u>\$ 192,857</u>	<u>\$ (2,162)</u>	<u>\$ (2,162)</u>	<u>\$ 195,019</u>
2,345,316	2,266,207	2,266,207	79,109
<u>\$ 2,538,173</u>	<u>\$ 2,264,045</u>	<u>\$ 2,264,045</u>	<u>\$ 274,128</u>

CITY OF NORTHWOOD, IOWA
NOTES TO OTHER INFORMATION - BUDGETARY REPORTING
JUNE 30, 2021

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

During the year ended June 30, 2021, disbursements exceeded the amounts budgeted in the culture and recreation, general government and debt service functions.

CITY OF NORTHWOOD, IOWA
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST SEVEN YEARS*
(IN THOUSANDS)
OTHER INFORMATION

	<u>2021</u>	<u>2020</u>
City's proportion of the net pension liability	0.006129%	0.006495%
City's proportionate share of the net pension liability	\$ 428	\$ 379
City's covered payroll	\$ 490	\$ 483
City's proportionate share of the net pension liability as a percentage of its covered payroll	87.35%	78.47%
IPERS' net position as a percentage of the total pension liability	82.90%	85.45%

*In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See Accompanying Independent Auditor's Report.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.006551%	0.006318%	0.006451%	0.006404%	0.006314%
\$ 414	\$ 417	\$ 402	\$ 318	\$ 255
\$ 498	\$ 511	\$ 470	\$ 457	\$ 442
83.13%	81.60%	85.50%	69.58%	57.60%
83.62%	82.21%	81.82%	85.19%	87.61%

CITY OF NORTHWOOD, IOWA
SCHEDULE OF CITY CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST SEVEN YEARS
(IN THOUSANDS)
OTHER INFORMATION

	<u>2021</u>	<u>2020</u>
Statutorily required contribution	\$ 46	\$ 47
Contributions in relation to the statutorily required contribution	<u>(46)</u>	<u>(47)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 490	\$ 483
Contributions as a percentage of covered-employee payroll	9.73%	9.73%

See Accompanying Independent Auditor's Report.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 47	\$ 46	\$ 42	\$ 41	\$ 39
(47)	(46)	(42)	(41)	\$ (39)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 498	\$ 511	\$ 470	\$ 457	\$ 442
9.44%	9.00%	8.90%	8.97%	8.80%

CITY OF NORTHWOOD, IOWA
NOTES TO OTHER INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2021

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Supplementary Information

CITY OF NORTHWOOD, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

		<u>Special</u>	
	<u>Local Option Sales Tax Property Tax</u>	<u>Local Option Sales Tax Infrastructure</u>	<u>Employee Benefits</u>
RECEIPTS:			
Property tax	\$ -	\$ -	\$ 131,837
Local option sales tax	119,957	119,957	-
Miscellaneous	-	-	-
Total receipts	<u>\$ 119,957</u>	<u>\$ 119,957</u>	<u>\$ 131,837</u>
DISBURSEMENTS:			
Operating:			
Public works	\$ -	\$ -	\$ 63,915
Health and social services	-	-	673
Culture and recreation	-	-	27,684
Community and economic development	-	-	-
General government	-	-	39,973
Total disbursements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,245</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ 119,957</u>	<u>\$ 119,957</u>	<u>\$ (408)</u>
Other financing sources (uses):			
Transfers in	\$ -	\$ -	\$ -
Transfers out	<u>(125,000)</u>	<u>(125,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>\$ (125,000)</u>	<u>\$ (125,000)</u>	<u>\$ -</u>
Change in cash balances	\$ (5,043)	\$ (5,043)	\$ (408)
Cash balances beginning of year	<u>32,002</u>	<u>28,156</u>	<u>24,154</u>
Cash balances end of year	<u>\$ 26,959</u>	<u>\$ 23,113</u>	<u>\$ 23,746</u>
Cash Basis Fund Balances:			
Nonspendable - Cemetery perpetual care	\$ -	\$ -	\$ -
Restricted for other purposes	26,959	23,113	23,746
Assigned for:			
Revitalization	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 26,959</u>	<u>\$ 23,113</u>	<u>\$ 23,746</u>

See Accompanying Independent Auditor's Report.

Revenue			Permanent	
Revolving	Rental	Revital-	Cemetery	
Loan	Inspection	ization	Perpetual	Total
			Care	
\$ -	\$ -	\$ -	\$ -	\$ 131,837
-	-	-	-	239,914
34,491	5,525	7,280	2,025	49,321
<u>\$ 34,491</u>	<u>\$ 5,525</u>	<u>\$ 7,280</u>	<u>\$ 2,025</u>	<u>\$ 421,072</u>
\$ -	\$ -	\$ -	\$ -	\$ 63,915
-	-	-	-	673
-	-	-	-	27,684
80,000	748	50,000	-	130,748
-	-	-	-	39,973
<u>\$ 80,000</u>	<u>\$ 748</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ 262,993</u>
<u>\$ (45,509)</u>	<u>\$ 4,777</u>	<u>\$ (42,720)</u>	<u>\$ 2,025</u>	<u>\$ 158,079</u>
\$ -	\$ -	\$ 50,000	\$ -	\$ 50,000
-	-	-	-	(250,000)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ (200,000)</u>
\$ (45,509)	\$ 4,777	\$ 7,280	\$ 2,025	\$ (41,921)
119,218	3,078	63,417	117,968	387,993
<u>\$ 73,709</u>	<u>\$ 7,855</u>	<u>\$ 70,697</u>	<u>\$ 119,993</u>	<u>\$ 346,072</u>
\$ -	\$ -	\$ -	\$ 119,993	\$ 119,993
-	-	-	-	73,818
-	-	70,697	-	70,697
73,709	7,855	-	-	81,564
<u>\$ 73,709</u>	<u>\$ 7,855</u>	<u>\$ 70,697</u>	<u>\$ 119,993</u>	<u>\$ 346,072</u>

CITY OF NORTHWOOD, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
NONMAJOR PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

	<u>Enterprise</u>	
	<u>Taxi</u>	<u>Meter Deposit</u>
Operating receipts:		
Charges for service	\$ 28,600	\$ -
Miscellaneous	-	9,620
Total operating receipts	<u>\$ 28,600</u>	<u>\$ 9,620</u>
Operating disbursements:		
Business type activities	<u>31,827</u>	<u>3,583</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ (3,227)	\$ 6,037
Non-operating receipts:		
Uses of money and property	<u>-</u>	<u>347</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (3,227)</u>	<u>\$ 6,384</u>
Other financing sources (uses):		
Transfers in	\$ 18,000	\$ 854
Transfers out	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>\$ 18,000</u>	<u>\$ 854</u>
Change in cash balances	\$ 14,773	\$ 7,238
Cash balances beginning of year	<u>2,623</u>	<u>59,976</u>
Cash balances end of year	<u><u>\$ 17,396</u></u>	<u><u>\$ 67,214</u></u>
Cash Basis Fund Balances:		
Unrestricted	\$ 17,396	\$ -
Committed for other purposes	<u>-</u>	<u>67,214</u>
Total cash basis fund balances	<u><u>\$ 17,396</u></u>	<u><u>\$ 67,214</u></u>

See Accompanying Independent Auditor's Report.

<u>Garbage</u>	<u>Sewer Plant Project</u>	<u>Total</u>
\$ 152,259	\$ -	\$ 180,859
-	-	9,620
<u>\$ 152,259</u>	<u>\$ -</u>	<u>\$ 190,479</u>
 150,872	 -	 186,282
 \$ 1,387	 \$ -	 \$ 4,197
 316	 -	 663
<u>\$ 1,703</u>	<u>\$ -</u>	<u>\$ 4,860</u>
 \$ -	 \$ -	 \$ 18,854
<u>-</u>	<u>(3,140)</u>	<u>(3,140)</u>
<u>\$ -</u>	<u>\$ (3,140)</u>	<u>\$ 15,714</u>
\$ 1,703	\$ -	\$ 23,714
45,569	3,140	111,308
<u>\$ 47,272</u>	<u>\$ -</u>	<u>\$ 131,882</u>
 \$ 47,272	 \$ -	 \$ 64,668
<u>-</u>	<u>-</u>	<u>67,214</u>
<u>\$ 47,272</u>	<u>\$ -</u>	<u>\$ 131,882</u>

CITY OF NORTHWOOD, IOWA
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Receipts:				
Property tax	\$ 713,034	\$ 771,905	\$ 759,404	\$ 766,071
Tax increment financing	255,407	395,160	389,274	428,692
Other city tax	239,914	232,120	208,536	179,426
Licenses and permits	22,712	21,583	23,820	5,215
Use of money and property	32,047	26,852	30,062	22,923
Intergovernmental	364,413	275,247	274,450	537,623
Charges for service	76,945	76,374	85,552	84,383
Special assessments	-	-	-	-
Miscellaneous	373,410	317,679	337,348	308,465
Total	<u>\$2,077,882</u>	<u>\$2,116,920</u>	<u>\$2,108,446</u>	<u>\$2,332,798</u>
Disbursements:				
Operating:				
Public safety	\$ 363,543	\$ 361,762	\$ 377,201	\$ 336,232
Public works	568,320	513,113	587,574	994,381
Health and social services	11,652	12,639	7,677	5,196
Culture and recreation	367,127	319,055	347,398	302,414
Community and economic development	206,173	179,277	84,652	216,561
General government	237,317	205,257	211,521	194,176
Debt Service	225,640	448,815	445,483	442,432
Capital projects	-	-	-	-
Total	<u>\$1,979,772</u>	<u>\$2,039,918</u>	<u>\$2,061,506</u>	<u>\$2,491,392</u>

See Accompanying Independent Auditor's Report.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 715,709	\$ 672,392	\$ 643,156	\$ 643,745	\$ 651,843	\$ 613,134
351,821	286,559	285,340	261,097	267,429	270,172
187,998	193,676	167,464	164,556	164,644	140,556
8,692	5,503	6,192	6,607	7,946	5,193
17,012	16,848	15,224	16,136	20,131	22,144
246,922	245,799	623,196	215,359	217,487	244,944
74,851	104,555	64,104	69,630	68,609	65,555
-	-	-	-	2,054	330
460,085	332,338	778,864	320,912	449,216	341,158
<u>\$2,063,090</u>	<u>\$1,857,670</u>	<u>\$2,583,540</u>	<u>\$1,698,042</u>	<u>\$1,849,359</u>	<u>\$1,703,186</u>
\$ 337,707	\$ 349,032	\$ 365,025	\$ 379,782	\$ 254,835	\$ 314,332
495,240	381,027	988,493	407,068	697,490	553,585
9,998	16,922	19,636	15,493	11,122	9,332
276,301	333,362	607,251	368,449	660,389	285,211
306,950	258,925	506,519	212,100	128,414	136,762
192,474	247,868	175,636	184,957	196,827	180,742
267,472	215,479	211,620	211,997	221,739	272,777
-	-	-	38,418	-	-
<u>\$1,886,142</u>	<u>\$1,802,615</u>	<u>\$2,874,180</u>	<u>\$1,818,264</u>	<u>\$2,170,816</u>	<u>\$1,752,741</u>



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Northwood, Iowa, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued my report thereon dated September 3, 2021. My report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Northwood's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Northwood's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Northwood's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not identified. However, as described in the accompanying Schedule of Findings, I identified deficiencies in internal control I consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Northwood's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A) and (B) to be a material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. There are no deficiencies described in the accompanying Schedule of Findings that I consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Northwood's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters which are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2021 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Northwood's Responses to the Findings

The City of Northwood's responses to findings identified in my audit are described in the accompanying Schedule of Findings. The City of Northwood's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Northwood during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Charles City, Iowa
September 3, 2021

CITY OF NORTHWOOD, IOWA
Schedule of Findings
Year Ended June 30, 2021

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

Criteria - Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition - One individual in the City has control over the cash receipts listing, bank deposits and the posting of cash receipts to the cash receipts journal.

Cause - The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect - Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation - The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response - We have reviewed procedures and plan to make changes to improve internal control where possible.

Conclusion - Response accepted.

(B) Utility Billings

Criteria - The City should follow City ordinances for utility billing rates. They should also follow Iowa Department of Revenue and Finance Administrative Rules and Regulations regarding sales tax.

Condition - The City did not charge two commercial customers sewer rates according to the City ordinance. The City also did not assess sales tax on sewer services provided to these two commercial customers.

Cause - Procedures are not in place to review utility billings to ensure compliance with City ordinance and Iowa Department of Revenue sales tax rules.

Recommendation - The City should charge utility rates in accordance with the City ordinances. The City should also assess sales tax on sewer services provided to non-residential commercial operations in accordance the Iowa Department of Revenue and Finance Administrative Rules and Regulations.

CITY OF NORTHWOOD, IOWA
Schedule of Findings
Year Ended June 30, 2021

Findings Related to the Financial Statements: - continued

Response - We will look into this.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters where noted.

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget - Disbursements during the year ended June 30, 2021 exceeded the amounts budgeted in the culture and recreation, general government and debt service function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended prior to disbursements exceeding the budget in the future.

Conclusion - Response accepted.
- (2) Questionable Disbursements - No disbursements I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions - No business transactions between the City and City officials or employees were noted.
- (5) Restricted Donor Activity - No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- (6) Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- (7) City Council Minutes - No transactions were found that I believe should have been approved in the City Council minutes but were not.
- (8) Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (9) Tax Increment Financing - The Special Revenue, Urban Revenue Fund properly disbursed payments for TIF loans and rebates. Also, the City properly completed the Tax Increment Debt Certificate Forms to request TIF property taxes.

CITY OF NORTHWOOD, IOWA
Schedule of Findings
Year Ended June 30, 2021

Other Findings Related to Required Statutory Reporting: - continued

(10) Urban Renewal Annual Report - The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1.

(11) Construction Contracts - The City did not comply with Chapters 26.3 through 26.13 of the Code of Iowa for the street overlay project with Heartland Asphalt.

Recommendation - Before entering into a contract for public improvement with an estimated cost in excess of \$50,000 the City should comply with public hearing and bidding requirements in accordance with the Code of Iowa.

Response - We will follow the appropriate procedures in the future, as required.

Conclusion - Response accepted.